



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of The Travelers Protective Association of America as of December 31, 2007

ORDER

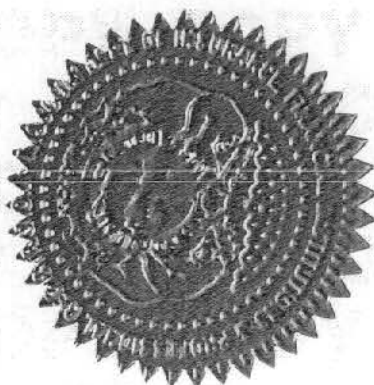
After full consideration and review of the report of the financial examination of The Travelers Protective Association of America for the period ended December 31, 2007, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Linda Bohrer, Acting Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER The Travelers Protective Association of America, to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this July 1, 2008.

Linda Bohrer

Linda Bohrer, Acting Director
Department of Insurance, Financial Institutions
and Professional Registration



REPORT OF
FINANCIAL EXAMINATION
THE TRAVELERS PROTECTIVE ASSOCIATION OF AMERICA
AS OF:

December 31, 2007



FILED
JUL 11 2008
DIRECTOR OF INSURANCE
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION
JEFFERSON CITY, MISSOURI

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May 20, 2008
St. Louis, Missouri

Honorable Alfred W. Gross, Commissioner
Virginia Bureau of Insurance
Chairman, (E) Financial Condition Committee, NAIC

Honorable Merle Scheiber, Commissioner
South Dakota Division of Insurance
Midwestern Zone Secretary

Honorable Douglas M. Ommen, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Dear Sirs:

In accordance with your financial examination warrant, a full scope financial examination has been made of the records, affairs and financial condition of

The Travelers Protective Association of America

also referred to as the "Association" or as "TPA." The examination was conducted at the Association's home office at 3755 Lindell Boulevard, St. Louis, Missouri 63108, telephone number (314) 371-0533. This examination began on March 18, 2008, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The last full scope financial examination of the Association was performed as of December 31, 2003, by an examiner from the state of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC) with no other zones participating.

The current full scope financial examination covers the period from January 1, 2004, through December 31, 2007, and was conducted by an examiner from the state of Missouri representing the Midwestern Zone of the NAIC with no other zones participating.

This examination also included material transactions and/or events occurring subsequent to December 31, 2007.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the NAIC, except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration and statutes of the state of Missouri prevailed.

Comments – Previous Examination

Listed below are the comments taken from the prior Report of Financial Examination as of December 31, 2003. The response or actions taken by the Association are also described below.

Corporate Records

Comment: “The meeting minutes do not indicate that the Board of Directors accepted the examination report of the Missouri Department of Insurance dated October 19, 2001. The Board should review and accept the report and so indicate in the minutes.”

Company's Response: “We wish to advise that the current Board of Directors adopted a Resolution accepting the previous report for the period January 1, 1998 to December 31, 2000.”

Current Findings: The minutes of the Board of Directors meeting held in October 2004 indicated the Board reviewed and accepted the examination report issued as of December 31, 2000 and the 2003 examination report was also appropriately accepted by the Board.

HISTORY

General

On February 12, 1882, twenty-four traveling salesmen formed a temporary organization known as “The Traveling Men’s Club.” On June 24, 1882, a permanent organization was effected, constitution and bylaws were adopted, officers elected and objectives set forth. This was to be known as “The Travelers Protective Association of the United States.” At the 1889 annual meeting, the organization’s deficit was of such proportions that the members realized another year would see the end of the group.

A group of men from St. Louis, known as “The Travelers Club of the City of St. Louis,” decided to try to keep the organization alive by taking out a new charter adding accident insurance to its objectives and by increasing the dues. Articles of incorporation were filed in the Circuit Court of St. Louis on May 30, 1890. The St. Louis group took over the organization’s deficit and moved the headquarters from Chicago to St. Louis.

At the convention held June 3, 1890, it was decided to use the charter obtained by the Missouri members and reorganize as a fraternal benefit organization under the name of “The Commercial Travelers Benefit Association of the United States.” A pro-forma decree of incorporation was issued on June 7, 1890, by the Circuit Court, City of St. Louis. It was also filed in the Office of the Secretary of State of Missouri and a charter was issued on June 11, 1890. Members petitioned the court to amend the charter to change the corporate name to “The Travelers

Protective Association of America,” and this was granted effective July 23, 1890. The organization is also known by its initials, T.P.A.

Originally, eligibility for membership was restricted to executives of manufacturing concerns and their traveling salesmen, executives of wholesale concerns and their traveling salesmen or those whose duties involved the resale of merchandise. In 1934 eligibility was broadened to include persons who qualified as preferred risks. Women became eligible for membership in 1993.

At year-end 2007, the Association was licensed in thirty-three states. Within the states are local posts. Each local post elects officers and a board of directors. The local posts also elect officers and a board of directors for each state division. Annually, the state divisions send delegates to the national convention to elect national officers and a national board of directors, to amend the constitution or bylaws and to transact other necessary business of the Association.

Capital Stock

The Association is organized as a not-for-profit entity owned by its members and therefore has no capital stock.

Dividends

The Association does not pay dividends.

Management and Control

The Association is managed by a board of directors consisting of eleven members. This is in accordance with its Articles of Incorporation, which stipulate a board of not less than three or more than sixteen directors.

Directors elected and serving as of December 31, 2007, were as follows:

<u>Name/Address</u>	<u>Affiliation</u>
Joseph A. Cady, Jr. Columbia, MO	Retired
Donald O. Campen, Jr. Richmond, VA	Retired
Larry W. Childers Helena, AL	Retired
Marshall M. Carr, Jr. Wilson, NC	Retired
John M. Cuellar Seguin, TX	Retired

W. Leonard Kingrey Glasgow, KY	Cash Register Sales and Service
Robert M. Levine Manchester, MO	Missouri Advertising and Duplicating Company
John R. Lohmann, Jr. Burlington, IA	American Ordinance
Richard L. Martin Waterloo, SC	Car salesman
Edwin S. Miller Mahanoy City, PA	Retired
Barbara J. Williamson Jenison, MI	Retired

Officers elected and serving at December 31, 2007:

<u>Name and Address</u>	<u>Office</u>	<u>Affiliation</u>
Edward C. Maranda Little Canada, MN	President	Insurance and Real Estate
John J. Chmielewski Wyoming, MI	President Elect	Siemens Logistics and Assembly Systems
Jay A. Wooden Piedmont, OK	First Vice-President	Owner, Big Red Custom Building
John G. Theall Lake Charles, LA	Second Vice-President	Retired
George L. Atencio Denver, CO	Third Vice-President	Landscape Architect and Special Education Teacher's Aide
Charles C. Gasaway Twin Lake, MI	Fourth Vice-President	Retired
Brian K. Schulte St. Louis, MO	Executive Secretary & Treasurer	Travelers Protective Association
Randall J. Reinker St. Louis, MO	General Counsel	Kruse, Reinker & Hamilton, L.L.C.

Dr. Randy B. Silverstein National Surgeon
St. Louis, MO

Private Practice Physician

The Association's constitution allows for the formation of subcommittees of the board of directors. Committee members serving at December 31, 2007, were as follows:

Executive Committee

Robert M. Levine, Chairman
Doris J. Boll
Thomas Wilsdon

Finance Committee

Larry W. Childers, Chairman
Joseph A. Cady, Jr.
Robert M. Levine
John R. Lohmann, Jr.
W. Leonard Kingrey
Richard L. Martin

The President of the Association has also appointed the following additional committees:

Committee

Chairman / Reporter

Membership

Marshall M. Carr, Jr.

Communications

Donald O. Campen, Jr.

Board of Governance

Donald O. Campen, Jr.

Employees' Pension Trust and
Executive Deferred Compensation

John R. Lohmann, Jr.

Convention Review

Richard L. Martin

Constitution and Bylaws

Robert M. Levine

Promotion Development
Need / Recruit / Train

John R. Lohmann, Jr.

T.P.A. Merit Award

John M. Cuellar

T.P.A. Scholarship Trust for the
Deaf and Near Deaf

Joseph A. Cady, Jr.

T.P.A. Safety Education Program
Charitable Trust

W. Leonard Kingrey

Fraternalist of the Year

Larry W. Childers

Community Service

Joseph A. Cady, Jr.

Publicity and Public Relations	Marshall M. Carr, Jr.
Ritual	Donald O. Campen, Jr.
Welfare	W. Leonard Kingrey
Safety	Larry W. Childers
Chaplain	Richard L. Martin
Tail Twister	John M. Cuellar

Conflict of Interest

Directors, officers and key personnel of the Association execute conflict of interest statements annually. The signed statements for the years under examination were reviewed with no material conflicts indicated.

Corporate Records

The Articles of Incorporation, Constitution and Bylaws of the Association were reviewed. Amendments were made to these documents each year of the period under examination. The amendments were properly filed with the Missouri Secretary of State. The amendments were also filed with the City of St. Louis Circuit Court.

For the past few years, the Constitution and Bylaws committee has reviewed each section of the Articles of Incorporation, Bylaws and Constitution and made revisions to update the documents or eliminate unnecessary language. During the National Convention held in June 2007, the members approved the adoption of the revised Articles of Incorporation, Bylaws and Plan of Benefits (formerly called the Constitution). The revised corporate documents became effective January 1, 2008. Two material changes adopted by the Association are how board members are assigned and the powers given to the board of directors. Previously the board members were assigned based on each states membership totals. Those states with the most members were guaranteed a seat on the board of directors. The new method of selecting board members calls for open elections that allow any member from any state to run for a seat on the board, with the stipulation that no state can hold more than one seat. The adoption of the revised corporate documents has also given the board of directors more power to run the everyday operations of the Association. The members must still approve any changes that are proposed to the Articles of Incorporation or Bylaws; however the board now has the power to make changes to the Plan of Benefits. The Plan of Benefits includes the amount of dues to be charged to each member. The board now has the authority to increase dues when necessary, but cannot increase them by more than ten percent each year.

The minutes of the meetings of the board of directors and of the annual meetings of the members were reviewed for the period under examination. The minutes appear to properly document the events for the period under examination. The board accepted the examination

report of the Missouri Department of Insurance, Financial Institutions and Professional Registration issued as of December 31, 2003, at the meeting held February 11, 2005.

Acquisitions, Mergers and Major Corporate Events

There were no major acquisitions or mergers affecting the Association.

Surplus Debentures

There were no surplus debentures issued or outstanding during the examination period.

AFFILIATED COMPANIES

Holding Company

The Association is not a member of a holding company system nor does it have any subsidiaries or affiliates.

FIDELITY BOND AND OTHER INSURANCE

The Association maintains a commercial crime policy which provides an aggregate limit of \$250,000 with a deductible of \$1,000. The NAIC recommends minimum fidelity coverage of \$125,000 for a company of TPA's size. The coverage carried by the Association exceeds the NAIC recommended minimum.

The Association also maintains coverage to protect it from losses from various perils and hazards with the following limits of liability:

<u>Coverage Type</u>	<u>Liability Limit</u>
Blanket Accident – Officers and Directors	\$ 200,000
Fiduciary Liability – Pension Plan and 401(k)	\$1,000,000
Commercial Property – Building	\$1,825,000
Business Personal Property	\$1,500,000
Commercial Auto	\$1,000,000
Commercial General Liability	\$2,000,000
Boiler and Machinery	\$25,000
Commercial Umbrella	\$2,000,000
Directors and Officers	\$1,000,000
Workers' Compensation	Statutory
Employment Practices	\$1,000,000
Blanket Accident – National Convention	\$3,000,000

EMPLOYEE BENEFITS AND PENSION PLANS

The Association offers a wide range of benefits to its employees, including paid vacation, paid sick leave, paid holidays and funeral leave. TPA also offers the following insurance coverage: hospitalization, medical (including a prescription benefit), dental and group life.

The Association has a non-contributory, defined benefit pension plan covering all eligible employees. Employees become eligible after completing one full year of employment, with vesting after five years of service. At June 30, 2007, the market value of pension plan assets was \$6,588,268 and vested benefits totaled \$1,888,852. TPA has not contributed to the pension plan during the current examination period nor were there any contributions made during the prior three examination periods.

The Association also provides an executive deferred compensation plan covering the current Executive Secretary and two former Executive Secretaries. TPA has purchased period certain annuity contracts with the Executive Secretaries named as beneficiaries.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The Missouri Department of Insurance, Financial Institutions and Professional Registration does not require fraternal insurance companies to maintain any funds on deposit with the state of Missouri.

Deposits with Other States

The Association has bonds on deposit with other states in which it is licensed. Those funds on deposit as of December 31, 2007, were as follows:

<u>State</u>	<u>Security</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
North Carolina	Certificate of Deposit	\$5,000	\$5,000	\$5,000
South Carolina	Certificate of Deposit	62,000	62,000	62,000
South Carolina	Certificate of Deposit	<u>63,000</u>	<u>63,000</u>	<u>63,000</u>
Total		<u>\$130,000</u>	<u>\$130,000</u>	<u>\$130,000</u>

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Association is licensed as a fraternal benefit society with the Missouri Department of Insurance, Financial Institutions and Professional Registration under Chapter 378 RSMo (Fraternal benefit societies). TPA is also licensed in thirty-two other states. Currently, the Association has no plans to expand writings to any other states.

Policy Forms & Underwriting; Advertising & Sales Materials; and Treatment of Policyholders

The Travelers Protective Association provides accident only coverage for its members. All insureds are members of the Association. Eligibility for membership is based upon underwriting standards for accident policies established by TPA. Membership in the Association continues to

decline. At December 31, 2007, the Association reported 64,076 active members, a decrease of 32% from the previous examination at December 31, 2003.

The Association does not employ agents or brokers to market its insurance. All prospective members are invited to join the Association by existing members. All applications must be endorsed by two members in good standing.

The Association's claims department maintains a complaints file. A review of the complaints file for the period under examination indicated that complaints were properly handled and resolved.

The Missouri Department of Insurance, Financial Institutions and Professional Registration has a market conduct staff that performs a review of issues related to policyholder treatment and generates a separate market conduct report. The Association has never undergone a market conduct examination.

REINSURANCE

Assumed

The Association does not assume any reinsurance business from other companies.

Ceded

The Association does not cede any reinsurance to other companies.

ACCOUNTS AND RECORDS

The Association's accounting records are maintained on the Sage MIP Fund Accounting software package. The general ledger is maintained on a modified cash basis. Accruals and other adjusting entries are made as necessary to present the financial statements on an accrual basis.

The Association is audited annually by an independent accounting firm. The Association's auditor for the year ended December 31, 2007, was Huber, Ring, Helm & Co., P.C.

The Association's reserves were reviewed and certified by Joseph H. Steimla, F.S.A., M.A.A.A., of Steimla & Association, Inc.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Association as of December 31, 2007, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the annual statement and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the financial statements. (The failure of any column of numbers to add to its respective total is due to rounding or truncation.)

There may have been differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only noted in the workpapers for each individual annual statement item.

ASSETS

Bonds	\$ 9,740,863
Real estate - Properties occupried by the company	1
Cash, cash equivalents and short-term investments	1,377,252
Investment income due and accrued	135,233
Cash value of retirement annuities	<u>37,492</u>
Total Assets	<u>\$ 11,290,841</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for accident and health contracts	\$ 855,690
Contract claims: Accident and health	413,695
Premiums received in advance	182,232
General expenses due or accrued	63,013
Liability for benefits for employees	37,492
Special reserve for National Convention fund	3,715
Division funds held in escrow	<u>14,245</u>
Total Liabilities	<u>\$ 1,570,082</u>
Special permanent reserve	400,000
Unassigned funds	<u>9,320,759</u>
Total Surplus and Other Funds	<u>\$ 9,720,759</u>
Total Liabilities, Surplus and Other Funds	<u>\$ 11,290,841</u>

SUMMARY OF OPERATIONS

Premiums	\$ 1,405,337
Net investment income	542,307
Miscellaneous income	<u>17,588</u>
Total Income	<u>\$ 1,965,232</u>
Death benefits	217,500
Disability and accident benefits	494,808
Increase in reserve for accident contracts	(49,068)
General insurance and fraternal expenses	1,067,781
Insurance taxes, licenses and fees	75,265
Surcharge on dues	<u>136</u>
Total Expenses	<u>\$ 1,806,422</u>
Net Income/(Loss)	<u>\$ 158,810</u>
2007 Examination Changes	-
Restated Net Income/(Loss)	<u>\$ 158,810</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as of December 31, 2006	\$ 9,561,949
Net income from operations	158,810
Examination Changes	<u>-</u>
Surplus as of December 31, 2007	<u>\$ 9,720,759</u>

NOTES TO FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND/OR RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

Article IX, Section 3. of the Association's Constitution allows members the option to pay their dues using a credit card. Originally, when the option of paying with a credit card was adopted, the only individuals authorized to accept credit card payments were the individual state secretaries and employees located at National Headquarters in St. Louis, MO. During the board meeting held February 15, 2008, the board passed a motion granting any member, state secretary, director, officer or National Headquarter employee the authority to accept credit card payments.

It appears that this board decision has exposed the Association to a great amount of risk. The Association does not appear to have adequate controls in place to protect the privacy and identity of individual credit card holders.

Authority should only be granted to those individuals that the Association can monitor. Monitoring currently appears to only be available with the employees at National Headquarters. Should the Association wish to continue with its credit card payment option, the board is advised to grant only the employees at National Headquarters the authority to accept credit card information; or determine if it would be cost beneficial for the Association to hire an outside third-party entity to provide this service, thus mitigating the risk to the Association.

ACKNOWLEDGMENT

The assistance and cooperation extended by The Travelers Protective Association of America during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)

) ss

County of St. Louis)

I, Karen J. Milster, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Association, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiner finds reasonably warranted from the facts.

Karen Milster

Karen J. Milster, CPA, CFE

Financial Examiner

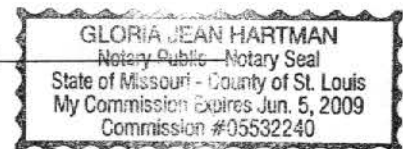
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 28th day of April, 2008.

My commission expires:

June 5, 2009

Gloria Jean Hartman
Notary Public



SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Christiana Dugopolski

Christiana Dugopolski, CPA, CFE

Audit Manager

Missouri Department of Insurance, Financial
Institutions and Professional Registration



THE
**Travelers
Protective
Association OF AMERICA**

3755 Lindell Boulevard • St. Louis, Missouri 63108-3476
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www.tpahq.org • support@tpahq.org

June 26, 2008

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JUN 30 2008
DEPT. OF INSURANCE
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

OFFICERS:

EDWARD C. MARANDA
President

JOHN J. CHMIELEWSKI
President-Elect

JAY A. WOODEN
First Vice President

JOHN G. THEALL
Second Vice President

GEORGE L. ATENCIO
Third Vice President

CHARLES C. GASAWAY
Fourth Vice President

BRIAN K. SCHULTE
Executive Sec'y-Treas.

DIRECTORS:

JOSEPH A. CADY, JR.

DONALD O. "SPEC" CAMPEN, JR.

MARSHALL M. CARR, JR.

LARRY W. CHILDERS

JOHN M. CUELLAR

LEONARD KINGREY

ROBERT M. LEVINE

JOHN R. LOHMANN, JR.

RICHARD L. MARTIN

EDWIN S. MILLER

BARBARA J. WILLIAMSON

A FRATERNAL
ORGANIZATION
DEDICATED TO:

CHILD SAFETY

DEAF AND
NEAR DEAF
PROGRAM

COMMUNITY
SERVICE

"Make Safety First
and Make It Last"

Mr. Frederick G. Heese, CFE, CPA
Chief Financial Examiner & Acting Division Director
Department of Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65102-0690

Dear Mr. Heese

This is written in response to "Subsequent Events" contained in the Draft Copy of the Missouri Department of Insurance Examination Report for the period January 1, 2004 to December 31, 2007 allowing individuals other than the state secretaries and headquarters staff of the Association to accept credit card payments as originally adopted.

Your comments were shared with the Board of Directors at their meeting on Sunday, June 15, 2008 held in Charleston, South Carolina at the beginning of our 2008 Annual Meeting. A motion was made by Director Childers and seconded by Director Cady that the Association comply with the recommendation of the Missouri Department of Insurance and allow only National Headquarters staff to accept credit card payments.

Discussion continued on the matter including credit card security standards; regularly testing of the security system; that Mr. Schulte had talked with a professional about security; and checking into having a third party handle all credit card payments.

Mr. Childers amended his motion, seconded by Mr. Cady, to comply with the recommendation, and cease accepting credit card payments until such time as a third party could be hired to handle credit card payments. Motion passed unanimously.

Since we are in the middle of a dues collection period, it would not be practical to cease accepting credit card payments as members received their dues notices allowing credit card payments in May.

We feel that ceasing the use of credit card for dues payments or having such payments handled by an outside company would begin with the December 31, 2008 dues collection period. Dues notices to members for this period would be mailed to members in mid-November and by that time a decision would be made by the Board of Directors on whether or not to continue the use of credit cards.

We would appreciate having our response included in the Report.

Sincerely,

T. P. A. of A.

Brian K. Schulte
Chief Administrative Officer

BKS:gjh